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INTRASTATE LOCAL SERVICE

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SECTION 2. RULES AND REGULATIONS

2.4 Payment Arrangements and Credit Allowances (Continued)

A. Payment of Rates, Charges and Deposits (Continued)

(4) (Continued)

(b) (Continued)

Further, if any portion of the payment is received by the Company after the payment date as set forth in (a) preceding or if any portion of the payment is received by the Company in funds which are not immediately available to the Company, then a late payment penalty shall be due to the Company. The late payment penalty shall be the portion of the payment not received by the payment date times a late factor. The late factor is one and one-half percent (1.5%) per month calculated on the unpaid portion of the principal balance at the time that the next invoice is generated.

(c) In the event that a billing dispute concerning any charges billed to the customer by the Company is resolved in favor of the Company, any payments withheld pending settlement of the dispute shall be subject to the late payment penalty set forth in (b) preceding.